

Message Text

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TO AMEMBASSY TEGUCIGALPA

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AIDAC

E.O. 11652: N.A.

TAGS:

SUBJECT:INSTRUCTIONS (PART I) FOR NEGOTIATING A PROPOSED
FY 1976 P.L.480 TITLE I SALES AGREEMENT WITH THE GOVERN-
MENT OF HONDURAS

FOR THE AMBASSADOR

1. AUTHORITY TO BEGIN NEGOTIATING. UPON SATISFACTORY
COMPLETION OF THIRD COUNTRY CONSULTATIONS AND NAC CLEARANCE
YOU WILL BE AUTHORIZED BY SEPARATE CABLE TO OPEN NEGOTIA-
TIONS WITH THE GOVERNMENT OF HONDURAS (GOH) ON THE
EMERGENCY SALES PROGRAM DESCRIBED IN THE ENCLOSED PART II
OF THE PROPOSED AGREEMENT FOR THE SUPPLY OF U.S. AGRICUL-
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TURAL COMMODITIES IN FY 1976 UNDER TITLE I OF P.L. 480,
AS AMENDED, HAVING A TOTAL EXPORT MARKET VALUE OF DOLLARS
3.4 MILLION, IS PROVIDED TO MEET AN EMERGENCY TYPE SITUATION
IN HONDURAS.

TO FACILITATE PROCESSING, THE MAJOR PORTION OF TITLE I NEGOTIATING SUBJECTS HAS BEEN COMBINED AND INCLUDED IN INSTRUCTIONS (PART II) FOR NEGOTIATING AGREEMENTS UNDER TITLE I, P.L. 480, WHICH WAS SENT TO THE EMBASSY AS AN ATTACHMENT TO AIDTO CIRCULAR A-487 OF JULY 6, 1974, AS

- -

AMENDED. THE PART II IS AN INTEGRAL PART OF THIS INSTRUCTION AND EXCEPT AS MODIFIED HEREIN OR AS AUTHORIZED BY WASHINGTON, MUST BE ADHERED TO FULLY.

2. AGREEMENT:

THE PROPOSED AGREEMENT WILL CONSIST OF: (1) A PREAMBLE, INCORPORATING BY REFERENCE THE PREAMBLE, PARTS I AND III OF THE MARCH 5, 1975, TITLE I AGREEMENT; AND (2) A NEW PART II (SEE BELOW) SHOWING THE PARTICULAR PROVISIONS OF THE PROPOSED AGREEMENT.

3. FINANCIAL TERMS:

THE FINANCING, AS SET FORTH IN PART II, ITEM II OF THE PROPOSED AGREEMENT, PROVIDES FOR DOLLAR CREDIT (DC) TERMS OF 20 YEARS CREDIT, INCLUDING A 2 YEAR GRACE PERIOD, INTEREST RATES OF 2 PERCENT DURING THE GRACE PERIOD AND 3 PERCENT THEREAFTER, AN INITIAL PAYMENT OF 5 PERCENT AND A CURRENCY USE PAYMENT OF 5 PERCENT. THESE ARE THE SAME TERMS AS THE FY 1975 AGREEMENT.

4. COMMODITY COMPOSITION:

THE PROPOSED COMMODITY COMPOSITION, AS SHOWN IN PART II, ITEM I, PROVIDES FOR 25,000 METRIC TONS OF CORN AND/OR GRAIN SORGHUMS, WITH AN EXPORT MARKET VALUE OF \$3.4 MILLION, FOR SUPPLY TO HONDURAS ON AN EMERGENCY TYPE BASIS TO MEET AN UNUSUAL SITUATION DURING FISCAL YEAR 1976.
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SUPPLY AND DISTRIBUTION DATA AS REVIEWED BY WASHINGTON WOULD JUSTIFY PROGRAMMING APPROXIMATELY 50,000 METRIC TONS OF CORN AND/OR GRAIN SORGHUMS UNDER TITLE I P.L. 480 FOR HONDURAS. HOWEVER, DUE TO COMMODITY AVAILABILITIES AND BUDGETARY CONSTRAINTS WE ARE ABLE TO SUPPLY ONLY 25,000 METRIC TONS OF CORN AND/OR GRAIN SORGHUMS AT THIS TIME. GOH'S REQUEST FOR 50,000 METRIC TONS WILL BE KEPT UNDER REVIEW AND SHOULD ADDITIONAL CORN AND/OR GRAIN SORGHUMS BECOME AVAILABLE, AND BUDGETARY RESTRAINTS PERMIT, CONSIDERATION WILL BE GIVEN AT A LATER DATE TO THE ADDITIONAL AMOUNT REQUESTED. IN VIEW 1976 FISCAL YEAR LIMITATIONS ON OVERALL COMMODITY AND P.L. 480

FUND AVAILABILITIES, YOU SHOULD, AS SET FORTH IN PARAGRAPH 2 OF PART II OF THE STANDARD NEGOTIATION INSTRUCTIONS, CALL THE GOH'S PARTICULAR ATTENTION TO ARTICLE I B OF PART I OF THE AGREEMENT WHICH PROVIDES THAT THE EXPORT MARKET VALUE SPECIFIED IN PART II MAY NOT BE EXCEEDED. THIS MEANS THAT, IF COMMODITY PRICES INCREASE OVER THOSE USED IN ANNOUNCING THE QUANTITIES

AND MARKET VALUES COVERED IN PART II OF THE AGREEMENT, THE QUANTITY TO BE FINANCED UNDER THE AGREEMENT WILL BE LESS THAN THE APPROPRIATE MAXIMUM QUANTITY SET FORTH IN PART II. SHOULD COMMODITY PRICES DECREASE, HOWEVER, THE QUANTITY OF COMMODITY TO BE FINANCED WILL BE LIMITED TO THAT SPECIFIED IN PART II.

5. EXPORT LIMITATIONS:

ITEM IV OF PART II OF THE PROPOSED AGREEMENT PROVIDES THAT THE EXPORT LIMITATION PERIOD WILL BE FISCAL YEAR 1976 OR ANY SUBSEQUENT FISCAL YEAR DURING WHICH THE COMMODITIES FINANCED UNDER THIS AGREEMENT ARE BEING IMPORTED OR UTILIZED. DURING NEGOTIATIONS YOU SHOULD MAKE IT CLEAR TO THE GOH THAT WE CANNOT PERMIT GOH TO RECEIVE P.L. 480 TITLE I AND AT THE SAME TIME ALLOW HONDURAS TO EXPORT, SHIP, RESHIP, TRANSSHIP (INCLUDING PASSAGE THROUGH A HONDURAN FREE ZONE) CORN FROM HONDURAS TO MEXICO TO REPAY THE MEXICAN LOAN DURING FY 76 AND POSSIBLY FY 77.

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6. OTHER:

DURING NEGOTIATIONS YOU SHOULD INFORM THE GOVERNMENT OF HONDURAS THAT BEGINNING WITH THIS AGREEMENT AND UNTIL FURTHER NOTICE THE FOLLOWING WILL BE REQUIRED REGARDING PURCHASING COMMODITIES AND/OR OCEAN FREIGHT UNDER THIS AGREEMENT: (THIS IS BEING REQUIRED OF ALL COUNTRIES RECEIVING COMMODITIES UNDER TITLE I P.L. 480).

A) ALL TENDERS FOR OCEAN FREIGHT AND COMMODITIES SHALL BE ISSUED IN THE UNITED STATES.

B) ALL SUBMISSION AND ACCEPTANCE OF BIDS SHALL BE IN THE UNITED STATES. -

C) ALL AWARDED OF CONTRACTS SHALL BE DONE IN THE UNITED STATES.

D) ALL INVITATIONS FOR BIDS FOR OCEAN FREIGHT AND COMMODITIES SHALL BE SUBMITTED TO FOREIGN AGRICULTURAL

SERVICE, U.S. DEPARTMENT OF AGRICULTURE FOR REVIEW AND
APPROVAL PRIOR TO RELEASE TO THE TRADE.

E) ALL BID OPENINGS SHALL BE PUBLIC.

7. SIGNING PROCEDURE:

IF THE PROPOSED SALES AGREEMENT IS ACCEPTABLE TO THE GOH,
THE EMBASSY SHOULD CABLE PRIORITY FOR AUTHORIZATION TO
SIGN THE AGREEMENT, GIVING THE PROPOSED DATE AND HOUR OF
THE SCHEDULED SIGNING AND ADVISING ARRANGEMENTS AGREED TO
FOR IDENTIFYING AND PUBLICIZING THE COMMODITIES TO BE
RECEIVED. AT LEAST 72 HOURS IN ADDITION TO U.S. HOLIDAYS
AND WEEKENDS ARE NEEDED BETWEEN TIME OF REQUEST FOR
AUTHORITY TO SIGN AND THE PLANNED DATE OF SIGNING.
IMMEDIATELY AFTER THE SALES AGREEMENT IS SIGNED, YOU
SHOULD INFORM WASHINGTON BY IMMEDIATE UNCLASSIFIED CABLE
MARKED AIDAC AND PASS AGRICULTURE AND AIRPOUCH DOCUMENTS
IN ACCORDANCE WITH INSTRUCTIONS IN 11 FAS 725.

8. BEGIN TEXT OF DRAFT PROPOSED AGREEMENT:

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AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF
AMERICA AND THE GOVERNMENT OF HONDURAS FOR THE SALE OF
AGRICULTURAL COMMODITIES.

THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE
GOVERNMENT OF HONDURAS HAVE AGREED TO THE SALES OF
AGRICULTURAL COMMODITIES SPECIFIED BELOW. THIS AGREEMENT
SHALL CONSIST OF THE PREAMBLE, PARTS I AND III OF THE
AGREEMENT SIGNED MARCH 5, 1975, TOGETHER WITH THE
FOLLOWING PART II.

PART II - PARTICULAR PROVISIONS

ITEM I. COMMODITY TABLE:

-	SUPPLY	APPROXIMATE	MAXIMUM EXPORT
COMMODITY	PERIOD	MAXIMUM QUANTITY	MARKET VALUE
-	(U.S.	(METRIC TONS)	(MILLIONS)
-	FISCAL YEAR)		

CORN	1976	25,000	DLS. 3.40
AND/OR			
GRAIN			
SORGHUMS			

ITEM II. PAYMENT TERMS:

DOLLAR CREDIT

1. INITIAL PAYMENT - 5 PERCENT . " - "-
2. CURRENCY USE-PAYMENT-SECTION 104(A) - 5 PERCENT
3. NUMBER OF INSTALLMENT PAYMENTS - 19
4. BALANCE PAYABLE - APPROXIMATELY EQUAL ANNUAL
INSTALLMENTS
5. DUE DATE OF FIRST INSTALLMENT PAYMENT - TWO YEARS AFTER
DATE OF LAST DELIVERY OF COMMODITIES IN EACH CALENDAR YEAR
6. INITIAL INTEREST RATE - 2 PERCENT
7. CONTINUING INTEREST RATE - 3 PERCENT

ITEM III. USUAL MARKETING TABLE:

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-	USUAL MARKETING
COMMODITY	IMPORT PERIOD REQUIREMENT
-	(US FISCAL YEAR) (METRIC TONS)

FEEDGRAINS	1976	NONE
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ITEM IV. EXPORT LIMITATIONS:

A. THE EXPORT LIMITATION PERIOD SHALL BE FISCAL YEAR 1976
OR ANY SUBSEQUENT FISCAL YEAR DURING WHICH COMMODITIES
FINANCED UNDER THIS AGREEMENT ARE BEING IMPORTED OR
UTILIZED.

B. FOR THE PURPOSE OF PART I, ARTICLE III A 4 OF THE
AGREEMENT, THE COMMODITIES WHICH MAY NOT BE EXPORTED ARE:
FOR CORN AND/OR GRAIN SORGHUMS -- CORN, CORNMEAL, GRAIN
SORGHUMS, BARLEY, OATS AND RYE, INCLUDING MIXED FEEDS
CONTAINING SUCH GRAINS.

ITEM V. SELF-HELP MEASURES:

THE GOVERNMENT OF HONDURAS AGREES TO:

1. ASSIST THE ZONE DAMAGED BY FLOOD AND HURRICANE TO
RECOVER ITS AGRICULTURAL POTENTIAL.
2. IMPROVE INTERNAL TRANSPORTATION SYSTEM.
3. INCREASE GRAIN STORAGE CAPACITY.
4. MOVE TOWARD A COMMON SYSTEM OF GRADES AND STANDARDS IN
BASIC GRAINS TOGETHER WITH OTHER CENTRAL AMERICAN STATES.
5. PROVIDE ASSISTANCE TO AGRICULTURAL COOPERATIVES,
ASSOCIATIONS, SMALL AGRICULTURAL INDUSTRIES AND SMALL
AGRICULTURAL PRODUCERS.

6. PROVIDE FUNDS THROUGH HONDURAN FINANCIAL INSTITUTIONS
TO SUPPORT PRIVATE AGRICULTURAL AND AGRO-INDUSTRIAL
DEVELOPMENT.

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ITEM VI. ECONOMIC DEVELOPMENT PURPOSES FOR WHICH PROCEEDS
ACCRUING TO IMPORTING COUNTRY ARE TO BE USED:

THE PROCEEDS ACCRUING TO THE IMPORTING COUNTRY FROM
THE SALE OF COMMODITIES FINANCED UNDER THIS AGREEMENT WILL
BE USED AS MUTUALLY AGREED UPON FOR FINANCING THE SELF-
HELP MEASURES SET FORTH IN THE AGREEMENT AND FOR THE
FOLLOWING ECONOMIC DEVELOPMENT SECTORS: AGRICULTURE
AND AGRO-INDUSTRIES.

IN WITNESS WHEREOF, THE RESPECTIVE REPRESENTATIVES, DULY
AUTHORIZED FOR THE PURPOSE, HAVE SIGNED THE PRESENT
AGREEMENT. DONE AT TEGUCIGALPA, IN DUPLICATE, THIS

- DAY OF , 1975.

FOR THE GOVERNMENT OF THE FOR THE GOVERNMENT

UNITED STATES OF AMERICA OF HONDURAS

DECONTROLLED UPON SIGNING OF AGREEMENT. INGERSOLL

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